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GIANT

YELLOWKNIFE
MINES LIMITED

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GIANT YELLOWKNIFE MINE.

ANNUAL REPORT - 1967

GIANT YELLOWKNIFE MINES LIMITED

Head Office: 7 King Street East, Toronto 1, Ontario

Mine Office: Yellowknife, N.W.T.

OFFICERS

President - - - - - H. J. FRASER

*Vice-President
and Managing Director D. R. DeLAPORTE

Secretary - - - - - A. C. CALLOW

Treasurer - - - - - J. T. McWHIRTER

Assistant Treasurer - - - - - J. D. KRANE

*Effective March, 1968.

DIRECTORS

A. J. ANDERSON

H. J. FRASER

C. R. ARCHIBALD, Q.C.

W. F. JAMES

B. S. W. BUFFAM

E. L. HEALY

†A. S. DADSON

P. N. PITCHER

J. DOUGLAS STREIT

†Deceased March, 1968.

CONSULTANTS

A. S. DADSON - - - - - Geological

F. R. ARCHIBALD - - - - - Metallurgical

J. M. MORTIMER - - - - - Metallurgical

TRANSFER AGENTS AND REGISTRARS

THE STERLING TRUSTS CORPORATION

372 Bay Street, Toronto, Ontario

REGISTRAR AND TRANSFER COMPANY

140 Cedar Street, New York 7, N.Y.

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE

Toronto, Ontario

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON

Toronto, Ontario

SOLICITORS

STRATHY, ARCHIBALD, SEAGRAM & COLE

Toronto, Ontario

ANNUAL MEETING OF SHAREHOLDERS

Tuesday, April 23, 1968 at 10.30 a.m. (E.S.T.)

Elizabeth Room, King Edward Sheraton Hotel,

Toronto, Canada.

REPORT OF THE DIRECTORS

To the Shareholders:

The following report on the activities of your Company during 1967 is submitted for your consideration.

Operating results for the first time include those of Lolor Mines Limited and of Supercrest Mines Limited, presented on a consolidated basis, as each of these mines entered the production stage on October 1, 1967.

Both properties are contiguous to and connected underground with the Giant mine, and their mining and milling operations are contracted by your Company. Lolor is 87½% owned and Supercrest 50% owned by Giant. As the overall operation is an integrated one, the consolidation is considered the most meaningful and proper presentation. Neither Lolor nor Supercrest is expected to realize net profits from 1968 operations as development and stope preparation will not be sufficiently advanced until the following year. The estimated ore production from these mines, however, will help to maintain the mill feed for the Giant treatment plant at its most economic capacity of 1,000 tons per day.

OPERATIONS SUMMARY

	1967	1966
Total tons milled	331,922	386,800
Average tons per day	909	1,060
Calculated mill-heads, oz. gold per ton	0.67	0.65
Recovery, percent	88.64	89.89
Total Recovery		
Gold, ounces	196,979	226,696
Silver, ounces	23,102	21,041
Operating cost per ton before write offs	\$15.60	\$13.51
Gross value of production	\$7,269,837	\$8,590,091

	Giant	Lolor	Supercrest	Total
Tons milled	312,711	8,164	11,047	331,922
Gold, ounces recovered	186,469	3,955	6,555	196,979

These figures include 12,046 tons of development ore, produced from Lolor and Supercrest prior to October 1, which yielded 6,609 ounces of gold.

FINANCIAL SUMMARY

	1967	1966
Operating income before write offs	\$2,214,010	\$3,326,509
Income taxes	300,000	620,000
Net income	1,426,551	2,099,825
Earnings per share	0.33	0.49
Dividends paid per share	0.40	0.60

ORE POSITION

Reserves of developed ore at the year-end were estimated as follows. These include dilution allowance. Reserves at the end of 1966 are shown for comparison.

	1967		1966	
	Tons	Oz. Gold per ton	Tons	Oz. Gold per ton
Giant Mine				
Active stopes	842,500	0.71	979,500	0.67
Pillars	67,100	0.82	60,000	0.84
Other developed ore ..	718,900	0.69	1,094,500	0.68
	<u>1,628,500</u>	<u>0.71</u>	<u>2,134,000</u>	<u>0.68</u>
Lolor Mine				
Active stopes	68,200	0.80	—	—
Other developed ore ..	249,300	0.64	324,000	0.65
	<u>317,500</u>	<u>0.67</u>	<u>324,000</u>	<u>0.65</u>
Supercrest Mine				
Active stopes	57,300	0.68	—	—
Pillars	8,300	0.75	—	—
Other developed ore ..	33,700	0.59	59,000	0.65
	<u>99,300</u>	<u>0.65</u>	<u>59,000</u>	<u>0.65</u>
Total	<u>2,045,300</u>	<u>0.699</u>	<u>2,517,000</u>	<u>0.675</u>

Exploration efforts did not bring to light any large amounts of new ore. Some of the ore reserve blocks were enlarged but not sufficiently to replace ore mined during the year. The target areas for exploratory work are becoming scarcer.

Increasing wage and material costs have forced an upward revision in the mine cut off grades to 0.46 ounces of gold per ton for the Giant and Lolor Mines, and to 0.50 ounces of gold per ton for Supercrest. As a result certain low-grade blocks, previously carried as reserves, have not been included in the current estimates. These blocks, including active stopes, pillars, and other developed ore, total 275,000 tons, all in the Giant mine.

OPERATING COSTS

The lower tonnage mined and treated during the year and the decrease in earnings were, in large part, caused by a critical shortage of labour. For several months the underground crew was about 20 percent below normal. The reduced mill feed resulted in a shortage of tailings for back-fill, and mine waste had to be crushed and ground to make up the deficiency. It was necessary to modify the hearth capacity of the roaster to permit continuous roasting of the decreased tonnage of concentrate. Development work had to be curtailed. In addition to these factors, overtime work and rates added to the operating cost.

By the year-end the labour situation had improved. However, although the crews are now almost up to strength in respect to numbers, efficiency still suffers from the scarcity of experienced men.

Under the new collective bargaining agreement effective April 1, 1967, the basic wage rates increased by approximately 7 percent. A further increase of about 6.5 percent came into effect for the period January 1, 1968 to September 30, 1968. With this, and with the general inflationary trend of the times, it seems unlikely that operating costs can be reduced appreciably in the future.

In order to attract and keep skilled workmen, an additional effort is being made to provide family type housing units in Yellowknife Townsite. One such house was purchased in 1967. Because of the population increase in town, Giant will have to acquire additional lots for housing, the cost of which have greatly increased during the year, to supply the remainder of the requirements.

CAPITAL EXPENDITURES

Expenditures on construction and replacement of fixed assets during the year amounted to approximately \$268,000. The most significant items were:

New bunk house, including services	\$ 63,000
Completion of hydraulic back-fill plant	23,000
Additional housing in town of Yellowknife	27,000
Mining and general equipment	72,000

DIVIDENDS

By an interim report issued November 17, 1967 shareholders were advised that estimated year's earnings would not cover the dividends of 40 cents per share paid during

the year, and of possible reduction in future dividends. Improved operations in the last quarter and forecasts for 1968 indicate that earnings may support dividends of 40 cents per share in the current year.

A dividend of 10 cents per share has been declared payable March 29, 1968. Future payments will require careful review in the light of cost experience.

UNDERGROUND OPERATIONS

Giant Mine

Production continued to come from widely separated areas, and from relatively more of the smaller, irregular stopes, and fewer of the large stopes. Considerable effort was put into the improvement of mining techniques with new underground equipment. Efficiency has been increased.

Exploratory diamond drilling was maintained at a high level but the drilling did not locate any new ore zones.

Lolor Mine

Lateral development was confined to 395 feet of advance on the 425-foot level. Stope preparation was carried out in the 7-42 area, and mine production commenced, officially, on October 1. Definition diamond drilling during the year failed to add any ore to the reserves.

The Lolor ore shoots, as outlined, appear to be relatively simple for mining. They will be one of the more important sources of mill feed for the next few years.

Supercrest Mine

Three stopes were fully developed during the year and were producing in the last quarter. Drifting was done on the 750, 575, and 425-foot levels. Development of the flat No. 1 orebody was started above the 425-foot level. Diamond drilling below the 750-foot level roughly delineated two ore shoots between sections 7300N and 7800N to a depth a short distance above the 1100-foot level horizon. Estimates show a possible 137,000 tons averaging 0.72 ounces of gold per ton.

Surface diamond drilling immediately north of the Akaitcho fault located the faulted extension of the schist zone, with some interesting intersections of gold bearing mineralization.

OUTSIDE EXPLORATION

Northbelt Yellowknife Mines Limited

(Yellowknife Greenstone Belt)

Geological mapping with compilation of data from old records, and diamond drilling were carried out on this Company's properties. Some progress was made in projecting the schist zone system through the greenstone belt. As yet there is no evidence where a concentration of gold ore might be located. Further drilling is planned for 1968. By the year-end Giant had spent \$87,527 on the project, for which it will receive 350,109 shares of Northbelt.

Other Areas

No field work was done on the Pine Point claims, nor on the Yukon Vangorda area claims.

A group of thirty claims was staked on a geologically favourable structure in the Coppermine area. A reconnaissance geophysical survey was completed, and more detailed work is planned for the 1968 season.

Trenching, diamond drilling, and geological and geophysical work were carried out on optioned and staked properties in the general Yellowknife region. Gold, uranium, and base metals were the targets. No definite encouragement was obtained and most of the options were relinquished. However, further work is planned on one of the optioned properties.

Your directors record their appreciation for the services rendered by Mr. P. N. Pitcher who recently resigned as a Director and Officer of the Company to assume a new position with a major corporation in the United States. Mr. Pitcher served as General Manager of the Company for many years and contributed substantially to its growth.

ACKNOWLEDGEMENTS

Your directors gratefully acknowledge the efficient services rendered by Mr. D. R. DeLaporte, General Manager, Mr. W. A. Case, Mine Manager, and the staff.

On behalf of the Board,

Toronto, Ontario,
March 1, 1968.

H. J. FRASER,
President.

GIANT YELLOWKNIFE MINES LIMITED

(Incorporated under the laws of Ontario)
and its subsidiary companies (note 1)

CONSOLIDATED

ASSETS

CURRENT ASSETS:

	1967	1966
Cash	\$ 524,244	\$ 288,234
Bullion at net realizable value	958,131	848,241
Short term securities at cost which approximates market value	4,853,515	5,912,519
Accounts and accrued interest receivable	137,293	106,661
Income tax refund claim	37,633	—
	<u>6,510,816</u>	<u>7,155,655</u>

FIXED ASSETS:

Buildings, machinery and equipment at cost	14,033,866	13,797,468
Less accumulated depreciation	12,712,955	12,422,164
	<u>1,320,911</u>	<u>1,375,304</u>
Mining claims and properties at cost	2,039,207	2,033,857
	<u>3,360,118</u>	<u>3,409,161</u>

OTHER ASSETS:

Supplies at average cost	974,774	1,031,984
Prepaid expenses and deposits	80,710	73,617
Shares in and advances to other mining companies at cost	299,194	298,513
Special refundable tax	143,100	127,200
Mine development expenditures of subsidiary companies, less amortization	189,499	182,517
Other deferred charges	44,367	88,186
	<u>1,731,644</u>	<u>1,802,017</u>
	<u>\$11,602,578</u>	<u>\$12,366,833</u>

AUDITORS' REPORT

To the Shareholders of
GIANT YELLOWKNIFE MINES LIMITED

We have examined the consolidated balance sheet of Giant Yellowknife Mines Limited and its subsidiary companies as at December 31, 1967 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 15, 1968.

THORNE, GUNN, HELLIWELL AND CHRISTENSON,
Chartered Accountants.

BALANCE SHEET — DECEMBER 31, 1967

(with comparative figures at December 31, 1966)

LIABILITIES		1967	1966
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	\$	418,968	\$ 505,311
Income taxes payable	—	—	295,713
Government royalties payable		32,830	86,370
		<u>451,798</u>	<u>887,394</u>
MINORITY INTEREST:			
Interest of minority shareholders in subsidiary companies (note 1)		<u>482,755</u>	<u>516,798</u>
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized — 4,500,000 shares without par value			
Issued — 4,303,050 shares		5,700,000	5,700,000
Contributed surplus		2,637,276	2,637,276
Retained earnings		2,330,749	2,625,365
		<u>10,668,025</u>	<u>10,962,641</u>
Approved on behalf of the Board:			
H. J. FRASER, Director.			
D. R. DeLAPORTE, Director.			
		<u>\$11,602,578</u>	<u>\$12,366,833</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1967

1. BASIS OF CONSOLIDATION

The financial statements have been prepared on a consolidated basis for the first time as the subsidiary companies commenced mining operations in 1967. Included in the consolidation are the accounts of Lolor Mines Limited, in which 87½% of the common shares are held, and Supercrest Mines Limited, in which 50% of the common shares are held.

As the mining and milling operations of Supercrest Mines Limited are being conducted on its behalf by Giant Yellowknife Mines Limited and as Supercrest's assets and operations are not material in relation to those of Giant Yellowknife, this 50%-owned company is treated as a subsidiary for purposes of the consolidation. The assets of Supercrest included in the consolidated balance sheet amounted to \$612,762 and consolidated net income was reduced by \$1,740 by including its operations.

The statement of income includes the operations of Lolor Mines Limited and Supercrest Mines Limited for the period from commencement of production in reasonable commercial quantities on October 1, 1967 to December 31, 1967. The 1966 comparative balance sheet figures have been re-stated on a consolidated basis.

2. INCOME TAXES

Amounts in respect of development expenditures and buildings, machinery and equipment, which were written off in the accounts of predecessor amalgamating companies, may be deducted from income for income tax purposes. As a result, income taxes for 1967 have been reduced by \$65,000 (1966 \$210,000). At December 31, 1967 amounts yet to be deducted for tax purposes, by way of depreciation and other allowances, exceed by \$590,000 the net book value of deferred expenditures and buildings, machinery and equipment.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of directors and senior officers, as defined by the Ontario Corporations Act, amounted to \$84,948 for 1967 and \$82,903 for 1966.

GIANT YELLOWKNIFE MINES LIMITED

(Incorporated under the laws of Ontario)
and its subsidiary companies (note 1)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1967
(with comparative figures for 1966)

	<u>1967</u>	<u>1966</u>
Balance at beginning of year	\$2,625,365	\$3,107,292
Net income for the year	1,426,551	2,099,825
	<u>4,051,916</u>	<u>5,207,117</u>
Deduct dividends paid — 40¢ per share in 1967, 60¢ per share in 1966	1,721,167	2,581,752
Balance at end of year	<u>\$2,330,749</u>	<u>\$2,625,365</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967
(with comparative figures for 1966)

Source of funds:

From operations

	<u>1967</u>	<u>1966</u>
Net income for the year	\$1,426,551	\$2,099,825
Depreciation and amortization	317,127	308,622
Minority interest in losses of subsidiary companies	(34,043)	—
	<u>1,709,635</u>	<u>2,408,447</u>
Other sources (net)	78,895	60,206
	<u>1,788,530</u>	<u>2,468,653</u>

Application of funds:

Dividends paid	1,721,167	2,581,752
Additions to fixed assets, less disposals	260,706	645,010
Mine development expenditures deferred — subsidiary company	—	78,399
Special refundable tax	15,900	127,200
	<u>1,997,773</u>	<u>3,432,361</u>
Decrease in working capital	<u>\$ 209,243</u>	<u>\$ 963,708</u>

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1967

(with comparative figures for 1966)

METAL PRODUCTION:	1967	1966
Gold and silver	\$7,269,837	\$8,590,091
Deduct marketing expenses	64,963	72,268
	<u>7,204,874</u>	<u>8,517,823</u>
 EXPENSES:		
Operating expenses	4,733,969	4,892,300
Government of Canada royalty	33,000	70,000
Administrative and corporate expenses	223,895	229,014
Depreciation and amortization of mine development expenditures	317,127	308,622
	<u>5,307,991</u>	<u>5,499,936</u>
Operating income	<u>1,896,883</u>	<u>3,017,887</u>
 Deduct exploration expenditures		
Contiguous Yellowknife properties	371,303	301,088
Other areas	196,921	305,511
	<u>568,224</u>	<u>606,599</u>
	1,328,659	2,411,288
Interest earned	363,849	308,537
	<u>1,692,508</u>	<u>2,719,825</u>
Income taxes (note 2)	300,000	620,000
	<u>1,392,508</u>	<u>2,099,825</u>
Add minority interest in losses of subsidiary companies (note 1)	34,043	—
Net income for the year	<u>\$1,426,551</u>	<u>\$2,099,825</u>

COMPARATIVE STATEMENT

Fiscal Year Ended May 31	Tons Milled	Calculated Mill Heads Per Ton	Estimated E.G.M. Assistance	Net Value of Metals Recovered	Average Price Per Ounce of Gold	Operating Cost Before Write-offs	Operating Cost Per Ton
1949	84,886	0.815	\$ 511,020	\$ 1,962,340	\$ 35.00	\$ 1,467,133	\$ 17.28
1950	126,214	0.708	354,326	2,986,457	37.46	1,826,453	14.47
1951	151,814	0.842	267,874	4,158,038	37.35	1,997,073	13.15
June 30							
1952	165,846	0.755	615,000	3,854,137	35.79	2,658,570	16.03
1953	245,559	0.846	680,000	6,012,389	34.20	3,561,546	14.51
1954	275,985	0.785	965,000	6,045,327	34.26	3,704,451	13.42
1955	286,742	0.761	700,000	5,876,857	34.16	3,912,978	13.65
1956	297,582	0.765	120,000	6,235,926	34.76	4,284,385	14.40
1957	309,673	0.795	105,000	6,396,699	33.75	4,234,517	13.67
1958	289,220	0.795	340,000	5,331,448	33.85	3,872,120	13.39
1959	321,002	0.784	280,000	6,397,770	33.81	4,048,047	12.61
June 29							
1960	361,601	0.784	13,687	7,649,230	33.50	4,338,972	12.00
Dec. 31							
1960	181,101	0.795	-----	4,080,679	34.63	2,529,960	13.96
1961	366,515	0.779	-----	8,507,473	35.73	4,755,387	12.97
1962	375,820	0.763	-----	9,445,300	37.56	4,743,728	12.62
1963	388,190	0.713	-----	9,254,173	37.76	4,758,936	12.26
1964	400,606	0.745	-----	10,120,070	37.62	4,789,045	11.95
1965	395,001	0.722	-----	9,565,401	37.68	5,087,109	12.88
1966	384,271	0.652	-----	8,517,823	37.99	5,191,314	13.51
Consolidated 1967	319,876	0.670	-----	7,204,874	37.99	4,990,864	15.60
	<u>5,727,504</u>	<u>0.757</u>	<u>\$4,951,907</u>	<u>\$129,602,411</u>	<u>\$ 35.89</u>	<u>\$76,752,588</u>	<u>\$13.49</u>

RODUCTION AND EARNINGS

Operating Profit Before Write-offs	Operating Profit Per Ton	Write-offs and Outside Exploration	Non-Operating Income	Income Tax	Minority Interest	Net Profit	Dividends Declared
1,006,227	\$ 11.85	\$ 845,465	\$ 6,790	\$	\$	\$ 167,552	\$
1,514,330	12.00	1,018,886	5,237	.....	.....	500,681	.....
2,428,839	16.00	1,229,283	6,334	.....	.....	1,205,890	.....
1,810,567	10.92	1,631,556	7,981	.....	.....	186,992	.....
3,130,843	12.75	1,632,533	4,906	.....	.....	1,503,216	800,000
3,305,876	11.98	1,808,594	22,793	12,000	.....	1,508,075	1,600,000
2,663,879	9.29	1,690,938	14,728	4,000	.....	983,669	1,400,000
2,071,541	6.96	1,305,198	71,219	.....	.....	837,562	1,200,000
2,267,182	7.32	1,304,011	51,901	4,000	.....	1,011,072	600,000
1,799,328	6.22	1,070,897	59,919	4,000	.....	784,350	1,200,000
2,629,723	8.19	1,043,148	51,060	85,000	.....	1,552,635	1,200,000
3,323,945	9.19	1,183,330	103,858	490,000	.....	1,754,473	1,800,000
1,550,719	8.56	799,281	86,158	.....	.....	837,596	860,541
3,752,086	10.24	1,519,007	160,058	.....	.....	2,393,137	1,936,290
4,701,572	12.51	967,313	245,321	(30,477)	.....	4,010,057	3,012,027
4,495,237	11.58	815,261	308,635	.....	.....	3,988,611	4,302,903
5,331,025	13.31	789,125	332,850	.....	.....	4,874,749	4,302,910
4,478,292	11.34	736,696	449,827	580,000	.....	3,611,423	4,302,917
3,326,509	9.55	915,220	308,537	620,000	.....	2,099,825	2,581,752
2,214,010	6.92	885,351	363,849	300,000	(34,043)	1,426,551	1,721,167
57,801,730	\$10.16	\$23,191,093	\$2,661,961	\$2,068,523	\$(34,043)	\$35,238,116	\$32,820,507

MINE OPERATING OFFICIALS

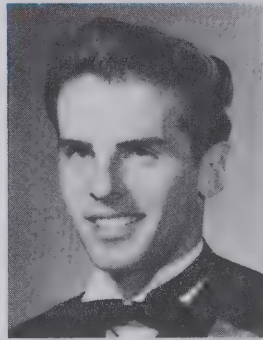
(as of March, 1968)

W. A. CASE	-	-	-	-	-	-	Mine Manager
D. J. EMERY	-	-	-	-	-	-	General Superintendent
G. H. ESPLEY	-	-	-	-	-	-	Mine Superintendent
R. J. McLEOD	-	-	-	-	-	-	Mill Superintendent
R. W. SPENCE	-	-	-	-	-	-	Exploration Superintendent
M. J. LYE	-	-	-	-	-	-	Chief Engineer
B. F. WATSON	-	-	-	-	-	-	Mine Geologist
C. M. WILKINSON	-	-	-	-	-	-	Electrical Superintendent
J. BOYD	-	-	-	-	-	-	Mechanical Superintendent
H. S. CARTER	-	-	-	-	-	-	Construction Foreman
G. K. POLK	-	-	-	-	-	-	Project Geologist
J. W. McKAY	-	-	-	-	-	-	Purchasing Agent
A. T. RIVETT	-	-	-	-	-	-	Personnel Supervisor
R. L. DAYKIN	-	-	-	-	-	-	Mine Accountant

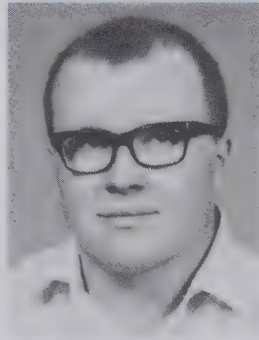
Giant Yellowknife Scholarship Winners



J. F. Stephenson



J. L. Popowich



N. A. Chambers



S. M. Karara

The Giant Yellowknife Mines Limited scholarship program, established by the Board of Directors in 1965, provides up to four scholarships annually — applicable to the four provincial Universities of Western Canada. They are awarded, on the recommendation and selection of University authorities, to a post-graduate student undertaking work specifically related to the mining industry. Shown above are the scholarship award winners for the 1967-68 academic year:

Mr. J. F. Stephenson, University of Manitoba;
 Mr. J. L. Popowich, University of Saskatchewan;
 Mr. N. A. Chambers, University of Alberta;
 Mr. S. M. Karara, University of British Columbia.

